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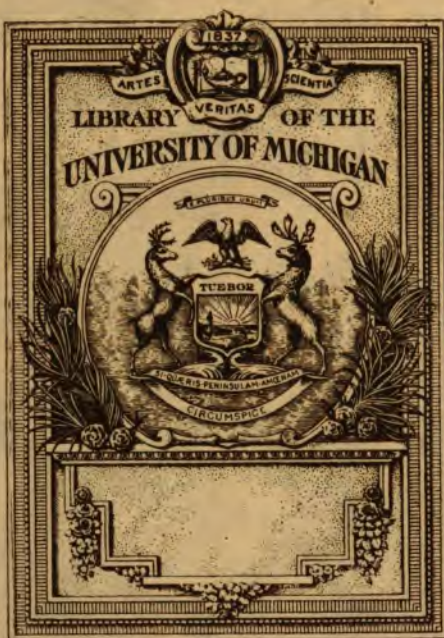
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THE COST OF THE WAR



A Brief Record and Analysis of
the Finances of the War, in their
relation to the World at Large

The Mechanics & Metals National Bank
20 Nassau Street, New York City

CAPITAL, SURPLUS AND PROFITS, \$16,000,000



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FOREWORD

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BECAUSE there was not available in convenient form a summary of war costs, and believing that such a summary, with related facts bearing on the demand for capital, would fill a public want, we undertook the task last year of preparing a volume entitled "War Loans and War Finance." The part taken by the United States since its entrance into the war has been of such importance that we have felt impelled to carry forward the record of war finance into a new volume, which we present herewith, and which we have called "The Cost of the War."

It was a difficult matter to gather some of the information which follows, and present it in statements that would agree with others that from time to time have been made in responsible quarters.

Assurance is given that in cases where there are no official returns the figures were studied carefully, and their origin examined so as to base them on the best available authority. The reader will find in the following pages material that has been brought together for purpose of information. The need for a statistical summary of the finances of the present struggle was the sole incentive in carrying out the work. It is hoped that what we have done will prove to be of real and lasting value.

THE MECHANICS & METALS NATIONAL BANK

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33-1807

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THE COST OF THE WAR

THE greatest war in human history has entered well upon its fourth year. Its cost has grown to such amounts that the average imagination cannot grasp the significance of the figures. Already the money expended has been more than a hundred thousand million dollars. Each month it continues, nearly five thousand million more is spent.

These colossal sums seem unreal, yet they are a very real measure of the financial effort accompanying the military effort of the nations engaged in hostilities.

Taken as a whole, the war is costing four times as much as when it started. The daily expenditure was then figured at \$40,000,000. Now it is a little short of \$160,000,000, the difference being accounted for by the greater area covered, the increased use of men and material, the necessity of replacing exhausted equipment, the rise that has taken place in wages and commodities, the entrance of the United States into the conflict. Early in 1914 it would have been said that the cost of such a war would drain the world's financial resources before six months had passed, and compel a stop. It was held for some time after the war began that the nations could not continue to pile up, day by day, the appalling burden of expense that was involved, and it was then written by one who expressed the belief of a large part of the thinking community, that "a waste of from \$25,000,000 to \$50,000,000 a day, in addition to thousands and thousands of lives, means chaos, if it means anything, when continued for long."

The war is in its fourth year; its daily cost has risen to a figure four-fold that of 1914; yet chaos seems less imminent than at the outset of the war, and ruin and national bankruptcy are considered sufficiently remote to permit all the powers to go on borrowing freely, and to contemplate still further credit operations and life sacrifices in the prosecution of their several ambitions to fight on and vanquish the enemy.

All of this is in line with precedent. The Thirty Years' War reduced the tangible resources of the German States to a

pitiable condition, yet that war went on. Napoleon prosecuted his wars in a fashion that took no account of economic conditions, either of the French Empire or of Europe. The American colonies prosecuted the Revolutionary War long after they were ostensibly bankrupt. Our own South, apparently exhausted in 1863, kept on fighting two years beyond 1863, and then gave up only because its armies were surrounded or captured. The experience of this war has been the experience of other wars; namely, that cost does not determine, of itself, the preventing, or limiting, or ending, of fighting. It is a recurring phenomenon in world history that nations have fought long and valiantly without visible means of finance.

Yet, precedent notwithstanding, the scale of this present war would seem to preclude a possible extension beyond the line of real financial exhaustion. The cost is too great, the consequences would be too severe. At the present time all the forces at the command of contending powers are directed to a single purpose, and with every device in use that can be obtained, the military machinery on both sides is making constantly increasing demands for the mobilization of the economic strength and resources of the people. Although hostilities began less than forty months ago, the situation in respect of cost and destructiveness is entirely unexampled. The nearest parallel, the era of the Napoleonic wars, long ago ceased to be considered a precedent on which to base comparisons.

The destructiveness of this war is greater than ever had been imagined. It must be evident even to the most casual reader that the world cannot afford what is going on. It is all too obvious. Military costs have crossed \$100,000,000,000. Yet military costs are not all; they never can allow for the full liability that is the camp-follower of war. There is the check to the forward progress of civilization. Law, literature, art and religion have suffered, and by the new necessities of modern warfare which require such conditions as to have millions of men live their lives in holes in the ground, the standard of existence is lowered. There is the loss through the killing and maiming of the best men of the race. It is here that the heavy heel of war has trampled the nations. The extinction of life, the destruction of the human inheritance, is called the essence

of modern war. Then there is the loss through the suffering and misery of whole bodies of people, made to wander homeless through devastated lands, and the distress of countless numbers who, though not directly in the path of fighting, have sent their men in that path, while those at home were deprived of their support.

In addition to all this, there is the destruction of cities, railways, ships, factories, warehouses, bridges, roads and other property. Peace having built and developed these things, war has battered them down. Wide stretches of land have been laid waste as never was the case before; parts of Belgium, France, Poland, Serbia, Rumania, Galicia and Armenia, a little while ago full of life and prosperous, are now barren and economically dead. There is the derangement of the intricate machinery of international finance, so carefully put together before 1914, and the paralysis of that commercial intercourse which existed prior to 1914 and can never be restored exactly as it was. There is the dislocation of the machinery of distribution, the loss of trade, the decrease in stocks of food, metal and other materials necessary to the well-being of the human race.

From the date of the beginning of the war, millions of men have been withdrawn from ordinary industry; nearly all enterprise has been submerged in the one sole work of producing munitions in illimitable quantities. Thus the ordinary progress of civilization has been brought to a standstill, and new wealth does not now exist that would have been created had 50,000,000 or more soldiers, and many other millions of people, not been enlisted to fight or otherwise contribute their skill and energy to the pursuit of war. To the extent that production is checked of those things representing capital in the form of improved equipment, or buildings or replacements that are needed, the world has failed to make progress and therefore has suffered irretrievable loss.

THE HUMAN COST

It is impossible to compute accurately the human lives that have been sacrificed since the beginning of the war. All the belligerent nations forbear to make public the wastage of men, and private attempts are highly speculative and subject to serious gaps.

However, that the number of slain had run into millions was a general assumption in the very first year of the war. Having read daily of campaigns of vast armies, of attacks of infantry in mass formation, of great guns hurling projectiles weighing thousands of pounds, of terrific and long-continued bombardments, of sweeping fogs of poison gases, of death rained from the sky and dealt from beneath the sea; having read of all these things the world recognized long ago that the war had taken an appalling total of human life.

The number of men engaged in hostilities shows how vast is the war, and from what a large supply the casualties have come. The numbers called to the colors of the various nations have been roughly as follows:

	Men Enlisted
United States.....	2,000,000
British Empire.....	7,500,000
France.....	6,000,000
Russia.....	14,000,000
Italy.....	2,500,000
Belgium, Serbia and Portugal.....	1,000,000
Entente Allies.....	<u>33,000,000</u>
Germany.....	10,500,000
Austria-Hungary.....	7,000,000
Bulgaria.....	500,000
Turkey.....	<u>2,000,000</u>
Teutonic Allies.....	<u>20,000,000</u>
Total all.....	<u><u>53,000,000</u></u>

Of this 53,000,000, representing able-bodied and skillful workmen, possibly a fourth can be said to have been killed or injured since the outbreak of the war. The stage of the war and the performance have been so gigantic that deaths in the first three years of hostilities were in the neighborhood of 7,000,000, while injuries leaving men invalids were more than 5,000,000. This means, to use a familiar comparison, that a number of men equal to one-eighth the population of the United States suffered death or permanent injury in the first three years of the war. The killed equalled 7 per cent of our population, the maimed equalled 5 per cent.

The total of killed, as a matter of fact, has in the elapsed period of the war equalled the full number of men called to the colors by the British Empire. It has exceeded the number of the whole French army, and has been four times as great as the number of men now enlisted under the American flag. The total of killed and permanently wounded has reached an amount greater than the enlisted number of any single nation, except Russia, and even the 14,000,000 total of that nation is being crowded by the records of casualties.

While total figures by themselves are large, the actual death rate indicated by the mortality records of the war is not more than 45 per 1,000 per annum. Thus the loss of life has been about one in twenty-two each year. Referring to single campaigns on the western front, the Committee on Public Information at Washington recently made the statement that "figures, taken when the casualties were greatest in proportion to mobilized strength and combined with the highest proportion of deaths, show losses due to deaths from wounds and killed in action to be approximately 11 in every 1,000 of mobilized strength." The statement added that the high-water mark of total casualties in the French Army was reached early in the war at the battles of Charleroi and the Marne. In that period they were 5.41 per cent. of the mobilized strength.

Statistics are often dry as dust, but when measuring the carnage of war they register one of the most tragic calamities of all history. The nearest approach to the human sacrifice of this war is contained in the record of the Napoleonic Wars, which extended over more than twenty years and took toll

altogether of 2,100,000 lives. Compilations made by the War Study Society of Copenhagen, from such information and statistics as could be secured, showed that in the first two years of the hostilities—August 1, 1914 to August 1, 1916—more than 4,600,000 deaths occurred in all the armies engaged, while 11,200,000 soldiers were wounded, a third of them being made permanent invalids.

We present below a table estimating for three years to August 1, 1917, the loss of life among soldiers to the different countries engaged in the war, based on the Society's figures. The first column contains the list of dead in the first two years of the war, as estimated by the Society. The second column contains an approximation of the deaths of the third year of the war, the figures being arrived at by assuming that the casualties of the third year were at the same rate as those of the first two years. This basis of calculation is neither accurate nor satisfactory, but without official figures it at least gives some conception of war's destruction of life:

	Two Years Aug. 1, 1914 to Aug. 1, 1916	One Year Aug. 1, 1916 to Aug. 1, 1917	Total Three Years
<i>Dead:</i>			
England.....	205,000	102,500	307,500
France.....	855,000	427,500	1,282,500
Russia.....	1,500,000	750,000	2,250,000
Italy.....	105,000	52,000	157,000
Belgium.....	50,000	25,000	75,000
Serbia.....	110,000	55,000	165,000
Rumania.....		100,000	100,000
Entente Allies.....	2,825,000	1,512,000	4,337,000
Germany.....	885,000	442,500	1,327,500
Austria-Hungary.....	718,000	359,000	1,077,000
Turkey.....	150,000	75,000	225,000
Bulgaria.....	25,000	12,500	37,500
Teutonic Allies.....	1,778,000	889,000	2,667,000
Total, all.....	4,603,000	2,401,000	7,004,000

One reason for the wide margin between the losses of the Entente Allies and the central powers is the relative unpreparedness of the Entente at the beginning of the war, the disastrous retreat of France in 1914, and of Russia later from the Mazurian lakes and the Carpathians and in Rumania. France suffered tremendously in its early retreat to the Marne and later in its defense of Verdun.

Because it is fighting on interior lines without suffering disastrous retreats, and because of a highly efficient medical service, Germany has suffered relatively less than some of the other nations, notwithstanding that her offensives on various fronts have led her into heavy losses in dead. Nearly one-third of her casualties are estimated to have been suffered around Verdun.

Russia has been the heaviest loser in man power, its total of loss in deaths, injuries and prisoners being nearly double that of any other nation. Austria-Hungary also has been a heavy sufferer. In regard to the losses for Russia and Austria-Hungary, the great campaigns in the East are to be considered, these having been carried on by large forces in the open, over wide stretches of territory. Lack of communication and hospital facilities also have been a factor.

England's losses have been smaller than those of the other European powers, owing to the time required to bring her full strength to bear in the war theatre. Italy until recently was saved from extreme casualties through the confining of open operations on her mountain frontiers. Rumania, although entering the war late, suffered disastrously by reason of Germany's invasion. Belgium and Serbia, the two small States overrun by the German machine early in the war, lost heavily in proportion to population. Turkey has been a heavy loser, through waging war on a wide sweep of front from Gallipoli through Syria, Arabia, Mesopotamia and Armenia. Bulgaria has been, relatively, a small loser.

The number of men wounded in the war can only be roughly estimated. Many of the wounded are regarded as so slightly hurt that no reckoning of them is made in casualty lists; many are wounded a number of times, and their reckoning confuses the figures. More than 5,000,000 men have been made permanent invalids in the three elapsed years of war, however.

The following table shows the number of the permanently injured, figures in the first column, showing the returns of the War Study Society of Copenhagen for the first two years, being made the basis for the estimates of the third year on the basis of a like yearly average:

	Two Years Aug. 1, 1914 to Aug. 1, 1916	One Year Aug. 1, 1916 to Aug. 1, 1917	Total Three Years
<i>Permanently wounded:</i>			
England.....	154,000	77,000	231,000
France.....	634,000	317,000	951,000
Russia.....	1,146,000	573,000	1,719,000
Italy.....	73,000	37,000	110,000
Belgium.....	33,000	16,000	49,000
Serbia.....	42,000	21,000	63,000
Rumania.....		60,000	60,000
Entente Allies.....	2,082,000	1,101,000	3,183,000
Germany.....	635,000	318,000	953,000
Austria-Hungary.....	533,000	266,000	799,000
Turkey.....	105,000	52,000	157,000
Bulgaria.....	18,000	9,000	27,000
Teutonic Allies.....	1,291,000	645,000	1,936,000
Total, all.....	3,373,000	1,746,000	5,119,000

Military experts agree that the killed in action and died of wounds have never at any time in the war exceeded 20 per cent. of the total casualties.

THE MONEY COST

When one endeavors to compute for all nations the total cost of the war, measuring in dollars the full economic destruction as well as the simple military expenditure, he finds himself confronted by an impossible task. Much of the loss is incalculable. The blow to civilization has no money measure; the loss through the killing and maiming of men cannot rightly be stated in dollar values. An estimate of the destruction of railways, ships, factories, and all the other elements of production and value is patently so impossible that it can be seen in what manner different authorities have arrived at widely varying amounts in the calculations they have made.

Confining ourselves to strictly the military expenditures which can be calculated in money measure, we present below an approximation of the war costs as they were incurred from the day of the war's beginning, August 1, 1914, to the day of the third anniversary, August 1, 1917:

	Daily Average	Total Military Cost
1914 (Aug. 1 to Dec. 31).....	\$52,700,000	\$7,900,000,000
1915.....	71,800,000	26,200,000,000
1916.....	97,700,000	35,650,000,000
1917 (Jan. 1 to Aug. 1).....	131,000,000	27,700,000,000
Total, 3 years.....	\$90,000,000	\$97,450,000,000

There is no present sign of an ending of the war, such as would permit a definite and satisfactory calculation of the military cost. What further heights the figures may reach is left for the imagination. The increases will be determined by the length of time over which hostilities are prolonged, and by whatever extension of battle lines may occur. The financing of battles must keep up with their cost. Basically, therefore, the war resolves itself more and more into an economic contest. Costs continue to grow, embattled nations go on borrowing to pay those costs, and the figures of debt rise steadily beyond those which formerly were familiar.

An attempt to gauge the direct cost of the war on an assumption that hostilities will continue to its fourth anniversary, August 1, 1918, doubtless will be received by the reader as worth making. Such an attempt yields a series of huge figures, all of which contribute to make up a total of more than \$150,000,000,000. Should the war progress to August 1, 1918, its direct military cost to the nations will be as follows, basing estimates on the present daily rate of expenditure, which is augmented over the past by active entrance of the United States into the war:

	Daily Average	Total Military Cost
Three years, to Aug. 1, 1917....	\$90,000,000	\$97,450,000,000
One year, to Aug. 1, 1918.....	159,000,000	58,150,000,000
Total, 4 years.....	\$107,000,000	\$155,600,000,000

The above calculation means that there will have been laid out for military purposes, if the war does not end before next August, a sum greater than the developed wealth of any single nation of the world, other than the United States. It means that, for war, there has already been expended an amount three times as large as the total indebtedness of every nation in the world, as that indebtedness stood in 1914, four times as large as the deposits of all the banks of the United States, ten times as large as the value of all our agricultural products in a given year, twelve times as large as the value of our annual foreign trade, 1,000 times as large as the amount of the annual American gold output. It means that this war has already required a sum that would have extended the railway mileage of the United States to several times its present length, and that, besides, would have carried steamship lines to every corner of the earth, rebuilt the world's cities on rational, sanitary lines, provided schools and teachers for every child living, eliminated savagery, and endowed science to the devotion of its efforts to improve the living conditions of all mankind.

Instead of this, the money has been spent for organized destruction, and for every month over which hostilities continue to progress, five thousand millions more are added to

the cost. This means that there is required of the world every month an amount of money double that expended during the entire Russo-Japanese War, which lasted eighteen months. It means that the Boer War is being concentrated into every eight days of this war. It means that the Franco-Prussian War is being fought over and over again, its entire cost being compressed each time into a space of three weeks. It means that our Civil War—hitherto the greatest conflict in world history—is being duplicated with such intensity that a counterpart of the four-year struggle between the North and South is reproduced every fifty days.

No other war in history, or combination of wars, can offer a parallel to the strain that now is imposed. Indeed, the sum of money expended since the middle of 1914 has been greater than the combined money expenditure for all other wars that occurred since the beginning of history. The combined direct cost of the world's six greatest military struggles in the 125 years preceding this war was \$21,000,000,000. One of these raged through a period of twenty-one years. Another lasted four years. The twenty greatest wars in the century and a quarter preceding 1914 cost, directly, \$25,000,000,000. That sum measures the cost of five months' fighting at the present rate of expenditure.

Following is a table which shows the approximate cost of the world's most notable struggles of modern history, the amount given for the present war carrying the cost only to its third anniversary:

Napoleonic Wars, 1793-1815.....	\$6,250,000,000
Crimean War, 1853-1856.....	1,700,000,000
American Civil War, 1861-1865.....	8,000,000,000
Franco-Prussian War, 1870-1871.....	3,500,000,000
South African War, 1900-1902.....	1,250,000,000
Russo-Japanese War, 1904-1905.....	2,500,000,000
Great War, 1914-1917 (3 years).....	97,450,000,000

War originally was decided by the strength and prowess of the individual combatants. Now brains have succeeded muscle, and instead of very simple methods and instruments of destruction, we have weapons that kill and maim men by

thousands. Huge cannon that project monster shells; machine guns; bombs; "tanks;" grenades and poison gases; these are the present day staples of war. Shells expended by the British and French artillery in single battles recently have been more than were expended in the two years of the Russo-Japanese War or the three years of the South African War.

As war's success has come to depend less and less on the soldier's muscle, and more and more on the brain of the chemist and skill of the mechanic, its cost has increased to a point beyond the ability of the smaller nations to afford. Hence the stronger powers have now to supply their allies with means to go on fighting. Advances, or loans, by the stronger powers to the weaker allies and to neutrals have in three years extended well beyond \$10,000,000,000. Great Britain has loaned more than \$5,000,000,000, the United States \$2,500,000,000, Germany \$2,500,000,000, France \$800,000,000. The responsibility falling upon the British nation in respect of loans is twice as heavy as that of any other belligerent, but the program outlined for the United States, if fulfilled, presently will make our loans equal those of Great Britain.

War costs up to August 1, 1917, of the four nations making advances to the weaker allies, are given below. Figures of net costs appear in a column parallel to those of gross costs, and are based on war credits actually voted, and in the case of Great Britain and France, on actual ascertained costs:

	Net War Costs, Aug. 1, 1914 to Aug. 1, 1917	Gross War Costs, Aug. 1, 1914 to Aug. 1, 1917
United States.....	\$2,200,000,000	\$3,500,000,000
Great Britain.....	20,750,000,000	25,800,000,000
France.....	16,600,000,000	17,400,000,000
Germany.....	19,600,000,000	22,100,000,000

The present rate of war expenditure by the United States, based on recent Administration statements, may be placed at a higher figure than that of any other nation engaged in the hostilities. Every day the direct military cost is \$29,400,000, and, in addition, loans to our allies are at a rate that makes the total gross daily war cost for the United States more than

\$40,000,000. Great Britain has a total daily war cost of \$39,000,000 gross. Germany is spending \$30,000,000 a day, and France is spending \$21,000,000.

For these nations the figures include advances to allies. The United States has extended credit for the purchase of military supplies to Great Britain, France, Russia, Belgium, Serbia and Italy. Great Britain has loaned funds to Russia, France, Italy, Belgium, Rumania and certain neutral countries. France has made advances to Russia, Belgium and Serbia. Germany has extended assistance to Austria-Hungary, Turkey and Bulgaria, and, it is said, to Greece.

On a daily basis, the four nations are making current payments about as follows. Gross costs, it must be kept in mind, are direct military costs, plus foreign loans or advances:

	Present Daily Net War Cost	Present Daily Gross War Cost
United States.....	\$29,400,000	\$40,360,000
Great Britain.....	35,000,000	39,000,000
Germany.....	27,200,000	30,000,000
France.....	20,200,000	21,000,000

Taking an approximation of the direct daily war expenses of the different nations—disregarding advances made or received—a highly significant statistical record can be made. In the following table is given the present daily direct rate of war expenditure in each of the countries chiefly engaged:

	Population	Direct Cost, Daily
United States.....	104,000,000	\$29,400,000
Great Britain.....	47,000,000	35,000,000
France.....	40,000,000	20,200,000
Russia.....	175,000,000	18,000,000
Italy.....	36,000,000	8,000,000
Belgium, Portugal, Rumania, Serbia....	26,000,000	5,000,000
Total, Allies.....	428,000,000	\$115,600,000
Germany.....	68,000,000	\$27,200,000
Austria-Hungary, Turkey, Bulgaria....	79,000,000	16,000,000
Central Powers.....	147,000,000	\$43,200,000
Total, all.....	575,000,000	\$158,800,000

The cost of the war averages three dollars daily for each soldier enlisted. Total daily expenses of all the Allies are \$115,000,000, as compared with \$43,000,000 for the central powers, the ratio being $2\frac{1}{2}$ to 1. The disparity is explained by the different conditions under which the embattled groups are fighting, by the need of the Allies to spend large sums in keeping their navies and mercantile fleets at sea, by the different system of pay in the armies, by manufacture and transportation. War's money is now largely expended in the laboratory, the foundry and the machine shop, and, in the case of the Allies, an important part is expended in costly steamship and railway transportation.

Pro-rated over the entire population, the direct daily cost of the war means much more to Great Britain than any other belligerent. France is second on the list, Germany third, the United States fourth and Russia last. The war is costing Great Britain a shade more than 74 cents daily for each inhabitant. It is costing France 50 cents for each inhabitant, Germany 40 cents, the United States 28 cents.

It is interesting to study the direct war cost of the people of the various nations in relation to their normal income. Thus the following table has been prepared, to register the average income of the chief nations engaged in the war, together with an average of the war bill, at the current rate of expenditure:

Per Capita in	Present Daily War Cost (Cents)	Daily Income per Capita (Cents)	Present Annual Cost	Annual Income per Capita
United States.....	28	105	\$103.80	\$385.00
Great Britain.....	74	70	279.60	255.00
France.....	50	51	180.00	187.00
Russia.....	10	11	36.60	40.00
Italy.....	22	32	80.60	111.00
Entente Allies.....	27	48	\$100.50	\$175.75
Germany.....	40	44	\$144.20	\$162.00
Austria-Hungary.....	21	26	75.50	94.35
Central Allies.....	31	39	\$114.00	\$140.50
Total, all.....	29	45	\$103.60	\$166.30

Having the largest average income, the workman of the United States can most readily meet his war expense. Having the smallest average income, the workman of Russia has also much the smallest burden of war expense. But the cost equals nearly the full amount of the average individual's calculated income in Russia, as against one-quarter of the average individual's income in the United States. In Great Britain the burden is heavier on the individual than in any of the other countries named. That country's war cost is greater than the average income of the people. The other European nations are spending nearly all their normal income for war.



THE COST OF THE WAR

DIRECT WAR EXPENSES—AUGUST 1, 1917, TO AUGUST 1, 1918, PROVIDED WAR EXTENDS INTO 1918

Direct Cost to	1914 Five Months August 1 to December 31	1915 Twelve Months	1916 Twelve Months	1917 Seven Months January 1 to August 1	Twelve Months August 1, 1917 to August 1, 1918	Four Years Total Direct Cost
United States.....				\$2,200,000,000	\$10,800,000,000	\$13,000,000,000
Great Britain.....	\$900,000,000	\$5,250,000,000	\$7,600,000,000	7,000,000,000	13,250,000,000	34,000,000,000
France.....	1,600,000,000	4,600,000,000	6,600,000,000	3,800,000,000	7,200,000,000	23,800,000,000
Russia.....	1,300,000,000	4,400,000,000	5,600,000,000	3,700,000,000	6,500,000,000	21,500,000,000
Italy.....		650,000,000	2,300,000,000	1,700,000,000	2,850,000,000	7,500,000,000
Belgium, Serbia, Rumania, Portugal.....	600,000,000	1,500,000,000	1,650,000,000	1,000,000,000	1,850,000,000	6,600,000,000
Entente Allies.....	\$4,400,000,000	\$16,400,000,000	\$23,750,000,000	\$19,400,000,000	\$42,450,000,000	\$106,400,000,000
Germany.....	\$2,200,000,000	\$5,400,000,000	\$6,800,000,000	\$5,200,000,000	\$9,900,000,000	\$29,500,000,000
Austria - Hungary, Turkey, Bulgaria.....	1,300,000,000	4,400,000,000	5,100,000,000	3,100,000,000	5,800,000,000	19,700,000,000
Central Allies.....	\$3,500,000,000	\$9,800,000,000	\$11,900,000,000	\$8,300,000,000	\$15,700,000,000	\$49,200,000,000
Total, all.....	\$7,900,000,000	\$26,200,000,000	\$35,650,000,000	\$27,700,000,000	\$58,150,000,000	\$155,600,000,000

United States

Entrance of the United States into the war occurred on April 6, 1917. From that date up to July 1, 1917, the nation expended approximately \$1,350,000,000 on its own war establishment and advanced \$1,000,000,000 to its Allies.

For the fiscal year from July 1, 1917, to June 30, 1918, the Administration submitted to Congress, early in August, an estimate of \$10,735,807,000 for the nation's war cost. That estimate was made up as follows:

	Daily Average	Fiscal Year, July 1, 1917 to July 1, 1918
Army.....	\$21,540,000	\$7,864,240,000
Navy.....	3,300,000	1,200,000,000
Shipping Board.....	2,180,000	800,000,000
Other Departments.....	2,380,000	871,567,000
Net cost, 12 months.....	\$29,400,000	\$10,735,807,000
Loans to Allies (estimated).....	10,960,000	4,000,000,000
Gross cost, 12 months.....	\$40,360,000	\$14,735,807,000

Should the war come to an end on August 1, 1918, the cost to the United States for its contribution to the struggle will have been approximately as follows, basing calculations on current costs:

	Daily Average	Total Cost
April 6, 1917 to August 1, 1917.....	\$31,300,000	\$3,600,000,000
August 1, 1917 to August 1, 1918...	40,360,000	14,700,000,000
Gross cost.....	\$38,500,000	\$18,300,000,000
Loans to Allies.....	10,960,000	5,300,000,000
Net cost.....	\$27,600,000	\$13,000,000,000

Great Britain

Entrance of Great Britain into the war occurred on August 4, 1914. Should hostilities come to an end on August 1, 1918, when, dating from the beginning they will have covered a period of four years, the gross cost to Great Britain will have been as follows:

	Daily Average	Total Cost
August 4 to December 31, 1914....	\$8,500,000	\$1,281,645,000
January 1 to December 31, 1915....	18,400,000	6,702,475,000
January 1 to December 31, 1916....	27,700,000	10,125,800,000
January 1 to August 1, 1917.....	36,600,000	7,700,000,000
Gross cost, 3 years.....	\$23,600,000	\$25,809,920,000
August 1, 1917 to August 1, 1918...	39,000,000	14,235,000,000
Gross cost, 4 years.....	\$27,400,000	\$40,044,920,000
Loans to Allies.....	4,100,000	6,000,000,000
Net cost, 4 years.....	\$23,300,000	\$34,044,920,000

Great Britain began the war on a daily cost basis of \$5,000,000. Official figures of the average daily gross expenditures for given periods, since the war began, are as follows:

1914		1916	
Aug.-Sept.....	\$5,975,000	April-June	\$24,425,000
Oct.-Dec.....	10,115,000	July-Sept.	25,015,000
1915		Oct.-Dec.	35,930,000
Jan.-Mar.....	13,365,000	1917	
April-June.....	14,200,000	Jan.-March	35,120,000
July-Sept.....	22,610,000	April-June	36,885,000
Oct.-Dec.....	23,120,000	July-Sept.	38,000,000
1916		Oct.-Dec.	39,000,000
Jan.-March.....	25,230,000	(estimated)	

France

Gross cost of France for the elapsed period of the war, and up to August 1, 1918, may be set down approximately as follows:

	Daily Average	Total Cost
August 1 to December 31, 1914.....	\$11,300,000	\$1,700,000,000
January 1 to December 31, 1915....	13,200,000	4,800,000,000
January 1 to December 31, 1916....	18,700,000	6,800,000,000
January 1 to August 1, 1917.....	19,500,000	4,100,000,000
Gross cost, 3 years.....	\$15,900,000	\$17,400,000,000
August 1, 1917 to August 1, 1918...	21,000,000	7,600,000,000
Gross cost, 4 years.....	\$16,600,000	\$25,000,000,000
Loans to Allies.....	800,000	1,200,000,000
Net cost, 4 years.....	\$15,800,000	\$23,800,000,000

Russia

War costs of Russia for the elapsed period of the war, and up to August 1, 1918, may be stated approximately as follows:

	Daily Average	Total Cost
August 1 to December 31, 1914.....	\$8,500,000	\$1,300,000,000
January 1 to December 31, 1915....	12,000,000	4,400,000,000
January 1 to December 31, 1916....	15,500,000	5,600,000,000
January 1 to August 1, 1917.....	18,000,000	3,700,000,000
Total, 3 years.....	\$13,700,000	\$15,000,000,000
August 1, 1917 to August 1, 1918...	18,000,000	6,500,000,000
Total cost, 4 years.....	\$14,700,000	\$21,500,000,000

Italy

Italy entered the war on May 23, 1915. The cost of hostilities to that nation for the elapsed season of the war, and for the period to August 1, 1918, may be placed approximately as follows:

	Daily Average	Total Cost
May 23 to December 31, 1915.....	\$3,000,000	\$650,000,000
January 1 to December 31, 1916.....	6,300,000	2,300,000,000
January 1 to August 1, 1917.....	8,000,000	1,700,000,000
Total, 26 months.....	\$6,000,000	\$4,650,000,000
August 1, 1917 to August 1, 1918.....	8,000,000	2,850,000,000
Total cost.....	\$6,500,000	\$7,500,000,000

Belgium, Serbia, Rumania, Portugal

It is impossible to do more than very roughly estimate the war expenses of these four countries. An approximation of the total costs is as follows:

	Daily Average	Total Cost
August 1 to December 31, 1914.....	\$4,000,000	\$600,000,000
January 1 to December 31, 1915.....	4,000,000	1,500,000,000
January 1 to December 31, 1916.....	4,500,000	1,650,000,000
January 1 to August 1, 1917.....	5,000,000	1,000,000,000
Total, 3 years.....	\$4,300,000	\$4,750,000,000
August 1, 1917 to August 1, 1918.....	5,000,000	1,850,000,000
Total cost, 4 years.....	\$4,500,000	\$6,600,000,000

Germany

Gross costs to Germany for the elapsed period of the war, and up to August 1, 1918, may be set down approximately as follows, the large increase of 1917 being partly accounted for by rising prices and by Germany's increased advances to Bulgaria and Turkey:

	Daily Average	Total Cost
August 1 to December 31, 1914.....	\$16,000,000	\$2,400,000,000
January 1 to December 31, 1915....	17,000,000	6,200,000,000
January 1 to December 31, 1916....	21,000,000	7,600,000,000
January 1 to August 1, 1917.....	28,000,000	5,900,000,000
Gross cost, 3 years.....	\$20,200,000	\$22,100,000,000
August 1, 1917 to August 1, 1918...	30,000,000	11,000,000,000
Gross cost, 4 years.....	\$21,000,000	\$33,100,000,000
Loans to Allies.....	2,500,000	3,600,000,000
Net cost, 4 years.....	\$18,500,000	\$29,500,000,000

Austria-Hungary, Turkey, Bulgaria

Total costs of these three nations for the elapsed period of the war, and up to August 1, 1918, may be stated approximately as follows:

	Daily Average	Total Cost
August 1 to December 31, 1914.....	\$8,500,000	\$1,300,000,000
January 1 to December 31, 1915....	12,000,000	4,400,000,000
January 1 to December 31, 1916....	14,000,000	5,100,000,000
January 1 to August 1, 1917.....	15,000,000	3,100,000,000
Total, 3 years.....	\$12,700,000	\$13,900,000,000
August 1, 1917 to August 1, 1918...	16,000,000	5,800,000,000
Total, 4 years.....	\$13,500,000	\$19,700,000,000

WAR LOANS

Loans of great magnitude have been negotiated since the summer of 1914. Formal loans, of a permanent character, large as they have been, have financed only one-half the expenses of the chief belligerents, funds having been obtained beyond the proceeds of the war loans by means of temporary financing, taxation, issuance of paper money and other expedients.

There are three sources whence funds have come for prosecution of the war. These are: (1) The people's savings, reached through bond issues to the public; (2) the people's current earnings, reached through taxation; (3) bank and money market resources, reached through loans made and currency issued against government credit.

War has gone deeply into the accumulated savings of the world, and mortgaged savings of the future. Security issues, taxation and paper money have been brought into service; at a time when formal loans offered to the people have gone beyond any credit operations known before, the money markets have been resorted to on a scale surpassing all precedent, and the resources of the central banks of each of the nations have been drawn upon to a formidable degree.

Great Britain, more than any of the other powers, is endeavoring to make the war "pay its way." It is raising more than \$3,500,000,000 a year by taxation, the present income tax ranging from slightly under 1 per cent. to as high as 41½ per cent. The range before the war was from 2-5 of 1 per cent. to 13 per cent. Of any increase in business profits over those of the period before the war, 80 per cent. is paid over to the state in the form of an excess profits tax. Up to 1917 this tax was 60 per cent. The United States is raising less by taxation than Great Britain, but is raising more in this manner than any other nation besides Great Britain engaged in the war. Germany is raising only a small portion of its war funds by taxes.

The financing of the war thus far has been accomplished without violently affecting rates in the money markets. Means

to regulate these markets have been found, both in the issuance of paper money and in the elimination of all industrial financing which might be competitive of government loans. On the continent, the central banking institutions have put out currency, in return for government pledges, on an enormous scale. Every belligerent nation on the continent is confronted with the problem of paper inflation. Three years of war tripled the paper money of France, and quadrupled that of Russia and Germany. Expedients involving paper money issues suggest inevitably a debasement of the currency of some of the countries, although the degree of this debasement is not to be judged, inasmuch as the leading banks of the foreign nations, except England, are not for the period of the war redeeming their notes in gold. A premium on gold has been suppressed by law, but the depreciation in foreign exchange rates on the several countries shows the situation in at least a measure of its true light.

At London, Paris and Berlin advances from the money markets and banks are heavy all the time. The occasional large permanent loans have kept the totals from rising to such excessive heights as to dislocate the machinery of the markets, and have at the same time checked a too-rapid currency and banking inflation. Nevertheless, the service of the big banks has been depended upon to a large extent, and in a degree that is without parallel. So long as the war continues the effect of all this is not disclosed. When the war ends, however, either the inflated status of the foreign nations must be indefinitely continued or else drastic measures must be adopted to restore the currency to normal. After the Napoleonic wars it was fully six years before the Bank of England was able to resume gold payments on its notes. It was fourteen years after the American Civil War that specie payments were resumed. Lloyd-George has predicted that the severest strain and greatest hardship of war's aftermath would hardly be experienced until five years after peace. French economists have predicted that depreciation in the currency of France would not disappear until at least ten years after the war is over.

As for the various loans by which the nations at war have financed the bulk of the cost, these have been made by each belligerent nation on an enormous scale. Following is a

list of the war borrowings of the chief belligerents for the first three years of the war, August 1, 1914, to August 1, 1917:

United States.....	\$2,000,000,000
United Kingdom.....	19,450,000,000
France.....	14,700,000,000
Russia.....	11,630,000,000
Italy.....	4,220,000,000

Entente Allies.....	\$52,000,000,000
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Germany.....	\$19,000,000,000
Austria-Hungary.....	9,000,000,000

Central Allies.....	\$28,000,000,000
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Grand total 3 years.....	\$80,000,000,000
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Great Britain

Great Britain, in the three years from August 1, 1914, to August 1, 1917, issued three internal long-term public loans, which yielded nearly \$10,000,000,000. The balance of its war financing was accomplished by means of Treasury bills offered in the money market, sale of short-term exchequer bonds, loans secured in the United States and in British territories, by advances from the Bank of England, and by increased taxes.

War loans of Great Britain in the first three years of the war were as follows:

INTERNAL LONG-TERM LOANS:

War loan, 3½%, November, 1914 (less \$650,000,000 converted into second loan).....	\$1,050,000,000
War loan, 4½%, July, 1915.....	4,100,000,000
War loan, 5%, January, 1917.....	4,830,000,000
Long-term loans.....	<u>\$9,980,000,000</u>

INTERNAL SHORT-TERM LOANS:

Exchequer bonds, 3%, due 1920.....	\$150,000,000
Exchequer bonds, 5%, due 1919-1920-1921.....	1,650,000,000
Exchequer bonds, 6%, due 1920 (estimated).....	1,000,000,000
Treasury bills (estimated).....	3,000,000,000
Treasury bills abroad (estimated).....	750,000,000
War expenditure certificates (estimated).....	200,000,000
War savings certificates.....	400,000,000
Treasury indebtedness in currency notes.....	<u>550,000,000</u>
Internal short-term loans.....	<u>\$7,700,000,000</u>

FOREIGN LOANS:

Anglo-French loan, 5%, due 1920.....	\$250,000,000
Secured notes, due 1918.....	250,000,000
Secured loan, 5½%, due 1919-1921.....	300,000,000
Loans from the United States Government.....	770,000,000
Loans in Japan.....	100,000,000
Credits in Holland, Scandinavia, etc.....	<u>100,000,000</u>
Foreign loans.....	<u>\$1,770,000,000</u>
Total loans, 3 years.....	<u><u>\$19,450,000,000</u></u>

United States

The United States issued a single war loan, prior to the third anniversary of the war, for \$2,000,000,000. Its temporary borrowings of the elapsed war period up to that date were funded into the \$2,000,000,000 Liberty Loan. A second loan is now being subscribed.

France

France issued only two popular loans in the first three years of the war, for general subscription by the people. The nation met part of the balance of war expenditure by borrowing from the Bank of France and through issuing treasury bills and notes, Bons de la Defense Nationale and Bons de la Obligation Nationale. All these represented short-term debt. Loans in Great Britain and the United States, and taxes, made up the balance.

Loans were as follows:

National loan, 5%, November, 1915.....	\$3,100,000,000
National loan, 5%, October, 1916.....	2,300,000,000
National defense bonds (estimated).....	3,000,000,000
National defense obligations (estimated).....	500,000,000
Advances from Bank of France (estimated).....	2,500,000,000
Treasury bills in London (estimated).....	2,000,000,000
Treasury bills in United States and elsewhere (estimated).....	200,000,000
Anglo-French loan, 1915.....	250,000,000
Collateral loan in United States.....	200,000,000
Bankers' credits in United States.....	200,000,000
Loans from United States.....	400,000,000
Advances from Bank of Algeria.....	50,000,000
Total, 3 years.....	\$14,700,000,000

Russia

Loans of a permanent character have been seven in number; the full amount secured was more than \$5,000,000,000. War costs beyond that sum have been defrayed out of the proceeds of advances made by Great Britain, France and the United States, out of the sale of short-term treasury bills, out of bank loans, paper money issues and tax levies.

War loans from August 1, 1914, to August 1, 1917, were:

War loan, 5%, October, 1914.....	\$250,000,000
War loan, 5%, February, 1915.....	250,000,000
War loan, 5½%, May, 1915.....	500,000,000
War loan, 5½%, November, 1915.....	500,000,000
War loan, 5½%, April, 1916.....	1,000,000,000
War loan, 5½%, November, 1916.....	1,100,000,000
Liberty loan, 5%, April, 1917.....	1,500,000,000
Exchequer bonds.....	500,000,000
Currency and other loans.....	100,000,000
Treasury bills (estimated).....	3,000,000,000
Bills in England.....	2,000,000,000
Bills in France.....	500,000,000
Loans in United States.....	300,000,000
Loans in Japan.....	130,000,000
Total, 3 years.....	<u>\$11,630,000,000</u>

Italy

Italy's permanent loans were \$1,770,000,000 up to August 1, 1917, and further war costs were defrayed out of advances made by the Bank of Italy and by smaller Italian banks, out of loans made by the United States, England and France, out of the sale of special Treasury bills, out of notes sold in the United States, and out of taxes.

War loans were as follows, up to August 1, 1917:

Twenty-five year 4½%, December, 1914.....	\$200,000,000
Twenty-five year 4½%, July, 1915.....	230,000,000
Twenty-five year 5%, January, 1916.....	620,000,000
Twenty-five year 5%, January, 1917.....	720,000,000
Treasury bills, etc. (estimated).....	1,500,000,000
British and French advances.....	750,000,000
Loans in United States.....	200,000,000
Total, 3 years.....	<u>\$4,220,000,000</u>

Canada

War costs of the Dominion of Canada in the three years ending August 1, 1917, were as follows:

Ten-year internal loan, 5%, November, 1915.....	\$100,000,000
Fifteen-year internal loan, 5%, September, 1916...	100,000,000
Twenty-year internal loan, 5%, March, 1917.....	150,000,000
Notes, five 15-year, 5%, New York, March, 1916..	75,000,000
Notes, 2-year, 5%, July, 1917.....	100,000,000
Special loans, Great Britain (estimated).....	250,000,000
Total, 3 years.....	<u>\$775,000,000</u>

Belgium, Serbia, Rumania

Belgium's war cost has been defrayed for the most part by Great Britain and France, with the United States now contributing. No formal loans have been issued, and taxes have been of no service to the Belgian arms for the reason that Belgium, save for a small strip of territory, is in the hands of German forces.

Serbia has been financed by the Entente Allies. No loans have been issued, and the tax collections yielded an insignificant proportion of the cost of that country's warfare.

Rumania's late entrance into the war was accompanied by financial accommodation on the part of the embattled group with which that nation took sides. The banks of Rumania were also called upon for their facilities.

Germany

By reason of six loans issued in the first three years of the war, Germany increased its permanent debt \$15,000,000,000. Treasury bills sold at home, the facilities of the Reichsbank, and taxation financed war expenditure beyond that total. A seventh loan is now being subscribed.

Increase in Germany's permanent indebtedness has been greater than that of any other belligerent nation, for the reason that, unlike the others, it has sought to cover the bulk of its war expenditure directly out of long-term loans.

War loans were as follows, up to August 1, 1917:

Imperial loan, 5%, September, 1914.....	\$1,115,000,000
Imperial loan, 5%, March, 1915.....	2,265,000,000
Imperial loan, 5%, September, 1915.....	3,025,000,000
Imperial loan, 5%, March, 1916.....	2,678,000,000
Imperial loan, 5%, September, 1916.....	2,647,000,000
Imperial loan, 5%, March, 1917.....	3,270,000,000
Treasury bills, etc. (estimated).....	4,000,000,000
Total, 3 years.....	<u>\$19,000,000,000</u>

Austria-Hungary

Austria-Hungary's national debt in the three years ending August 1, 1917, was increased by loans of a formal character to the extent of \$6,200,000,000. The balance of its war expenditures were cared for by the sale of Treasury bills, by means of special advances from the Austro-Hungarian Bank, by loans from German bankers, and by taxes.

War loans were as follows, up to August 1, 1917:

Austrian loan, 5½%, November, 1914.....	\$445,000,000
Austrian loan, 5½%, May, 1915.....	548,000,000
Austrian loan, 5½%, November, 1915.....	840,000,000
Austrian loan, 5½%, May, 1916.....	904,000,000
Austrian loan, 5½%, November, 1916.....	943,000,000
Austrian loan, 5½%, May, 1917.....	900,000,000
Hungarian loan, 6%, November, 1914.....	245,000,000
Hungarian loan, 6%, May, 1915.....	225,000,000
Hungarian loan, 6%, November, 1915.....	230,000,000
Hungarian loan, 6%, May, 1916.....	300,000,000
Hungarian loan, 6%, November, 1916.....	320,000,000
Hungarian loan, 6%, May, 1917.....	300,000,000
Advances from Germany.....	500,000,000
Loans from German bankers.....	800,000,000
Treasury bills, etc. (estimated).....	1,500,000,000
Total, 3 years.....	\$9,000,000,000

Turkey and Bulgaria

Turkey has issued a number of loans, which were taken at home and in Germany, and to a small extent in neutral countries of Europe, like Switzerland. Its war expenditure has been financed in large measure from Germany; a syndicate of German and Austro-Hungarian banks has also helped in the financing. Paper money in circulation in Turkey increased from \$40,000,000 to \$350,000,000 in the first three years of the war.

Bulgaria has been financed chiefly from Germany, by means of special advances. Tax collections and small loans at home have also contributed to the payment for war. Both Turkey and Bulgaria have been promised increased financial support from Germany during the fourth year of the war.

NATIONAL DEBT

The permanent debt of those nations which are bearing the heaviest burden of the war was \$27,000,000,000 in the middle of 1914. Adding to this figure the amount of the loans made since the war began, which involved permanent increase in the fixed interest charges of the several nations, the result was \$107,000,000,000 in the middle of 1917. Great Britain, France and Germany then had each increased its debt to a figure nearly equal to the entire European debt, as that stood in 1914.

In the short space of three years the great powers of Europe, with the United States, contracted obligations four times greater than the aggregate of their indebtedness before the conflict began, an indebtedness that had required more than one hundred years to accumulate.

Great Britain's two loans offered to the British public in the first year of the present struggle were more than the loans of the twenty-two years of the Napoleonic wars. Germany's six loans of the completed three years of the present war produced subscriptions that were at least ten times greater than its largest total investment in all loans for a corresponding earlier period. There is no possible comparison between the recent French loans and the financing of the French wars of a century ago. Napoleon and his ministers believed in making war pay its way, and preferred a policy which involved heavy taxation and also heavy annual requisitions on conquered countries. Records show little addition to the debt of France during the period of Napoleon's campaigns.

Following the Franco-Prussian War the payment of the indemnity to Germany, and the funding of other costs of war, imposed upon France a strain theretofore unexampled in European history on any single occasion, but no loans approaching in amount those of the present era were seen at that time. The maximum debt of the United States at the end of the Civil War was \$2,750,000,000; an amount equal to three-quarters of that sum was raised in the first Liberty Loan.

Here is a table showing for the principal nations at war

their approximate debt on August 1, 1917. Comparison is made with the approximate debt of August 1, 1914:

Debt of	August 1, 1917	August 1, 1914
United States.....	\$3,000,000,000	\$1,000,000,000
Great Britain.....	23,000,000,000	3,500,000,000
France.....	21,200,000,000	6,500,000,000
Russia.....	16,200,000,000	4,600,000,000
Italy.....	7,000,000,000	2,800,000,000
Entente Nations.....	\$70,400,000,000	\$18,400,000,000
Germany, Empire and States...	\$24,200,000,000	\$5,200,000,000
Austria-Hungary.....	12,700,000,000	3,700,000,000
Teutonic Nations.....	\$36,900,000,000	\$8,900,000,000
Grand total.....	\$107,300,000,000	\$27,300,000,000

What the indicated indebtedness of the nations now at war means to the average workingman may be faintly perceived by reducing totals to a per capita basis:

Per Capita Debt of	Aug. 1, 1917	Aug. 1, 1914
United States.....	\$28.80	\$9.70
Great Britain.....	487.20	74.50
France.....	530.00	162.50
Russia.....	92.50	26.25
Italy.....	194.50	77.75
Entente Allies.....	\$174.60	\$45.80
Germany.....	\$355.90	\$76.45
Austria-Hungary.....	239.60	70.75
Teutonic Allies.....	\$305.00	\$73.50
Grand total.....	\$205.00	\$52.20

It will be seen that Great Britain's debt, which in 1914 was equal to \$74 for each inhabitant, was on August 1, 1917, six times greater. For France the per capita debt had been for many years the largest among civilized nations. That debt was \$162 in the middle of 1914. In the space of three years it advanced to \$530. The increase in the per capita debt of Germany was from \$76 to \$356 in three years of the present struggle. For the United States the per capita increase was smaller than that of any other country because, on August 1, 1917, we had been engaged in the war only four months.

INTEREST ON DEBT

Upon the seven nations chiefly engaged in the war, there is now imposed a yearly obligation, for interest on bonds, of a little less than five billion dollars. Among all the nations, the requirements in this respect are heaviest against Germany; more than a billion dollars a year is the interest obligation of that nation. France is second on the list, Great Britain third, Russia fourth, the United States last.

If we assume that, by reason of war borrowings, there has been an advance in the price of capital sufficient to increase the average interest charge on indebtedness only one-half of one per cent., the following comparison is possible. This table gives the actual interest payments of the various nations in 1913, the last year of peace, and the yearly interest payments on the basis of the indebtedness of August 1, 1917:

Interest Paid by	1917	1913
United States.....	\$85,000,000	\$23,000,000
Great Britain.....	900,000,000	122,500,000
France.....	940,000,000	257,300,000
Russia.....	825,000,000	212,200,000
Italy.....	250,000,000	93,300,000
Entente Nations.....	<u>\$3,000,000,000</u>	<u>\$708,300,000</u>
Average interest rate.....	4.3%	3.8%
Germany.....	\$1,080,000,000	\$200,000,000
Austria-Hungary.....	620,000,000	165,700,000
Teutonic Nations.....	<u>\$1,700,000,000</u>	<u>\$365,700,000</u>
Average interest rate.....	4.6%	4.1%
Total, all.....	<u>\$4,700,000,000</u>	<u>\$1,074,000,000</u>
Average interest rate.....	4.4%	3.9%

In 1913, the last year of world peace, the budgets of the seven principal nations now engaged in the war called for a total expenditure of \$7,300,000,000. That amount was for maintenance of army, navy, civil service and government, and for interest on existing debt. In 1919, if the war has ended and peace is restored, the budgets will call for approximately \$11,000,000,000.

This estimate takes into account no increase or decrease in expenditures of army and navy from the expenditures that were made in 1913, when military forces were on a peace footing. Nor does it take account of pensions or any change in the cost of government upkeep. What is recognized is solely the interest on the permanent capitalization of the value of materials and service employed in the war.

The figures lead to consideration of the relation of each government's post-bellum expenditure to national income. Total annual earning power, or income, of the people of the eight nations in question is normally \$87,000,000,000. Annual savings are, normally, something less than \$14,000,000,000. These figures are analyzed in the appended table by individual countries, there being presented in parallel columns the approximate national income and savings of the countries under consideration, in times of peace, and the indicated government expenditure in 1919, provided the war is then ended:

	Annual Income	Annual Savings	Peace Basis Expenditures, 1919
United States.....	\$40,000,000,000	\$6,000,000,000	\$1,200,000,000
Great Britain.....	12,000,000,000	2,000,000,000	1,800,000,000
France.....	7,500,000,000	1,250,000,000	1,600,000,000
Russia.....	7,000,000,000	1,000,000,000	2,100,000,000
Italy.....	4,250,000,000	650,000,000	700,000,000
Entente Allies.....	\$70,750,000,000	\$10,900,000,000	\$7,400,000,000
Germany.....	\$11,000,000,000	\$1,900,000,000	\$2,000,000,000
Austria-Hungary.....	5,000,000,000	1,000,000,000	1,600,000,000
Teutonic Allies....	\$16,000,000,000	\$2,900,000,000	\$3,600,000,000
Total, all.....	\$86,750,000,000	\$13,800,000,000	\$11,000,000,000

If the war extends into 1919, government expenditures will be increased beyond the amounts indicated above. But if it ends with the close of the present year, the indication of these figures will hold. The amounts given in the above table are too huge for the average mind to grasp, but if we reduce them to a common basis and try to learn what they mean to the mill hand, the clerk, the farmer, the artisan, the merchant, we are able to appreciate to some extent what they signify.

The legacy of this war to the average workingman will be visualized in the tax assessor. Thus, if peace is restored

shortly, the operation of the American government next year, and the payment of interest on American debt, will require something like \$11.50 of every inhabitant of the United States. Taxation per head in Great Britain will be more than three times that amount, every man, woman and child being called upon annually to pay \$38 by direct payment or through custom and excise. Operation of the German Government will require \$29 of every inhabitant of Germany; operation of the French Government will require \$40 of every inhabitant of France.

What the different amounts mean to the average workman is shown in the following table, which reduces to a per capita basis the national income and prospective government expenditure of each of the countries chiefly engaged in the war:

Per Capita	Annual Income	Peace Expenditure, 1919	Expenditure to Income, Per Cent.
United States.....	\$385.00	\$11.50	3.0
Great Britain.....	255.00	38.30	15.0
France.....	187.00	40.00	21.3
Russia.....	40.00	12.00	30.0
Italy.....	118.00	19.40	16.4
Entente Allies.....	\$177.00	\$18.40	10.4
Germany.....	\$162.00	\$29.40	18.2
Austria-Hungary.....	113.00	30.20	26.7
Teutonic Allies.....	\$141.00	\$29.80	21.2
Total, all.....	\$169.00	\$21.30	12.5

The key to the table lies in the relative expenditure of each of the nations, inasmuch as that measures the economic strength of each, and also the ability of each to bear the weight of its expenditure. Whereas the total annual expenditure of the British Government may be expected to equal 15 per cent. of the people's income of 1919 if peace then prevails, the total annual expenditure of Austria-Hungary may be expected to equal nearly 27 per cent. of the whole national income, while that of Russia may be expected to equal 30 per cent. of income.

Apparently, then, the taxpayer of Austria-Hungary or Russia will turn over to his government the equivalent of more than a fourth part of every dollar earned. The taxpayer of France will turn over to his government more than a fifth part of every dollar of income. The taxpayer of Germany will

turn over nearly a fifth part of every earned dollar, as against less than a thirtieth part of every earned dollar of the American taxpayer.

The income that is earned by our people in ten days will suffice to support our government for a year, on the basis of the above peace figures. On the other hand, the Russian workingman, it now appears, will have to work 15 out of every 52 weeks to defray the cost of maintaining his government and paying the interest on national debt, if the war ends shortly. That is the equivalent of nearly two days in the week. Because he could not deprive himself sufficiently in the three elapsed years of the war to pay the full expense as it was incurred, the French workingman hereafter will have to turn over his earnings of one day in every week to meet his government's annual obligations. The Austrian workingman, for similar purpose, will have to turn over his income of one and one-half days a week, the German workingman the earnings of one day a week, the Italian workingman the earnings of one day a week, the English workingman the earnings of a little less than one day a week.

WEALTH OF THE NATIONS

Ability to withstand the strain they are undergoing is measured in a large degree by the total wealth of the nations involved in the war. The experience of Europe over the past three years has demonstrated in what manner the success of war rests upon the economic as well as the vital force of nations. Making demands on the very sum total of wealth, and straining resources to the utmost, this war from the start developed into a contest of endurance in which the purely tangible elements assumed an important character.

The Entente Allies were able, even before entrance of the United States into the war, to throw a preponderant weight into the balance against the common enemy, but with the United States actively on their side the weight has been increased, so that it is now four and one-half times that of the Teutonic Allies. Taken altogether, the economic strength of the nations allied against Central Europe is impressive; the aggregate wealth, in terms of money, exceeds \$600,000,000,000. That is more than two-thirds the total wealth of the world. The United States alone has wealth that is double the wealth of the German and Austro-Hungarian Empires combined. The British Empire has wealth that is more than equal to the combined wealth of those two empires.

In every nation at war the primary consideration of those in authority has been to determine what financial plans would conform with sound economic principles, and to so adjust and distribute the burden that the resources of each nation would be utilized to their full advantage, at the same time that sums needed would be produced with the least impairment of strength.

Wealth in a position readily to be converted to the purpose of war is that most desired in times like these, and so long as there continues wealth that is readily convertible, the nations having that wealth will be, financially speaking, the strongest of those engaged in conflict. It is this factor which has been so sharply emphasized by the entrance of America

into the war. We have material wealth, available for application to war, in greater abundance than any other nation.

Not only material wealth; this nation has recourse to that wealth which is commonly overlooked in economic discussion because it is not weighed, listed, invoiced or inventoried. American adaptability, inventiveness, skill and organization are among the invisible assets that occupy a large place in the task to which we have addressed ourselves. There has been a remarkable expansion of these assets in the past three years. In this time we have passed through a great national change; our character, industry and resourcefulness have vastly increased, at the same time that a new sense of unity and co-operation has sprung up as our isolation from the rest of the world has vanished.

The following table records the wealth of the countries now actively engaged in the war:

	National Wealth	Population	Wealth Per Capita
United States.....	\$250,000,000,000	104,000,000	\$2,404
United Kingdom.....	90,000,000,000	47,000,000	1,915
Canada.....	7,500,000,000	9,000,000	834
India and other possessions	32,500,000,000	384,000,000	84
British Empire.....	130,000,000,000	440,000,000	300
France.....	65,000,000,000	40,000,000	1,625
Russia.....	60,000,000,000	175,000,000	343
Italy.....	30,000,000,000	36,000,000	833
Japan, including Korea, etc.	25,000,000,000	72,000,000	347
China.....	25,000,000,000	400,000,000	62
Belgium.....	9,000,000,000	7,500,000	1,200
Portugal.....	3,500,000,000	6,250,000	560
Rumania and Serbia.....	3,500,000,000	12,250,000	277
Cuba and Panama.....	1,000,000,000	3,000,000	330
Alliance total.....	\$601,000,000,000	1,296,000,000	\$462
Germany.....	\$85,000,000,000	68,000,000	\$1,215
Austria-Hungary.....	40,000,000,000	53,000,000	756
Turkey and Bulgaria.....	4,000,000,000	27,000,000	148
Central Allies.....	\$129,000,000,000	148,000,000	\$872
Total, all.....	\$730,000,000,000	1,444,000,000	\$505

Earning power of the material wealth of the seven powers on which the financing of the war bears most heavily is nor-

mally \$87,000,000,000. Appended is a table showing the wealth and annual income of these countries, together with percentage figures indicating the relation of present annual war cost to these items:

	Total Wealth	Yearly War Cost, %	Annual Income	Yearly War Cost, %
United States....	\$250,000,000,000	4.0	\$40,000,000,000	27
United Kingdom..	90,000,000,000	14.5	12,000,000,000	110
France.....	65,000,000,000	11.1	7,500,000,000	96
Russia.....	60,000,000,000	10.3	7,000,000,000	91
Italy.....	30,000,000,000	9.3	4,250,000,000	66
Entente Nations..	<u>\$495,000,000,000</u>	<u>8.5</u>	<u>\$70,750,000,000</u>	<u>57</u>
Germany.....	\$85,000,000,000	11.5	\$11,000,000,000	89
Austria-Hungary..	40,000,000,000	10.0	5,000,000,000	80
Teutonic Nations.	<u>\$125,000,000,000</u>	<u>11.4</u>	<u>\$16,000,000,000</u>	<u>86</u>
Total, all.....	<u>\$620,000,000,000</u>	<u>8.8</u>	<u>\$86,750,000,000</u>	<u>62</u>

Among these powers, the cost of war weighs most heavily on the wealth of Great Britain, Germany and France. All the European nations are being severely strained, but in the last analysis the above figures argue strongly for the financial position of neither one group of allies nor the other. There is indicated for the Central powers a proportion of war cost to total wealth of more than 11 per cent. That is against 8½ per cent. indicated for the Entente Allies. There is indicated also a considerably higher percentage of war cost to the total income of the people of the Teutonic Allies than in the case of the people of the Entente Allies. But the disadvantage, on the whole, is not so great as to warrant positive conclusions. Even were the disparity greater than it is, economists would hesitate to say that here was the determining factor of the war, for they recognize that considerations other than statistical exercise a vast influence on people in time of great trial.

WEALTH AND THE WAR

People naturally wonder if most of the gains and accumulations of civilization will be wiped out by the yoke which war has imposed upon the inhabitants of the world. Clearly, the figures of cost in money and treasure indicate that whether it is protracted one, two or three years more, or whether it comes to an end quickly, the war's legacy will be a heavy one for the people of the future to inherit. No man can say how heavy it will be. None can say how the gains and accumulations of civilization will be affected.

The world we knew three years ago is not the world we know to-day. Conditions hitherto undreamed of have come out of the titanic struggle of nations, and huge problems are created to beset the people of the world in time to come. How all the unparalleled conditions will be met; how the many and vast problems will be solved; how the nations will struggle back to peace and industry; these are vital matters that concern us all. To what degree the world's wealth is impaired is debatable. No one has yet been able in a satisfactory manner to determine that, and its determination lies pretty well with the future. War cuts wealth with a mighty two-edged sword. It makes inroads upon it, and it mortgages it. These are accepted economic facts. The wealth of the world, wherever located and however it may be possessed, is to a great extent a common fund. To burn up or destroy in one quarter makes not only that quarter suffer loss, but inflicts loss on the whole world.

But the \$100,000,000,000 that represents the money expense of the elapsed period of the war is not by any means to be termed a total loss, equivalent to an utter disappearance of \$100,000,000,000 of wealth. The sum thus far expended has supported great numbers of people during the course of its expenditure, and there were savings and profits out of it. It is well in this connection that we should seek encouragement where it can be found, for in all conscience the obvious de-

vastation that has occurred is appalling, and hardly bears out those people who would have us believe that war has a nobility and grandeur and profit of its own. There never was a greater fallacy. The process of killing an enemy and capturing or destroying his property, which we call war, is a process which reduces wealth-producing capacity, and apart from moral considerations, profit for the whole of mankind never can come out of that.

War expenditure is not mere waste. It is destructive waste, whatever its moral or political benefits. Recognizing this, we must not, however, be misled regarding the losses that occur. Beyond ships, the property now actually being destroyed is for the most part property newly produced since the war began. Armies are being supplied, clothed and fed out of the production of the present time. There are cannon, rifles, shells, food, clothing, shoes, hats, belts, motor-cars, fuel, horses, harness, aeroplanes, balloons, bridges, road material, railway equipment, engineering tools, fences and wire. There is the pay of the soldiers, the allowance to their families, the maintenance of hospitals.

So, then, the greater part of the enormous loss and destruction of this war, save in the period when the German armies were demolishing cities and ruining other permanent property, has been of equipment and supplies of current production, and to the extent that the world is currently consuming what is currently produced, there is no impairment of real wealth and the world is no worse off than before.

Much of the loss of war is what we fail to create, and herein lies its heaviest economic liability, beyond the destruction of men and useful property. Wealth that might have increased is now being arrested in its development. If some of us devote all our efforts to make shells, we cannot build houses; if we work on warships, we have not time to build railways. At the same time, this present war has not altogether checked the increment of wealth, and insofar as any nation—like our own—has through the exigencies of the situation added to its cultivated lands or its railways or factories, it has increased real wealth and is better off than before.

Wealth is both tangible and intangible; therefore when one seeks to consider the relation of the war to wealth, he seeks to

consider an elusive problem. Tangible wealth lies in productive properties, which are the resources of nature and those things which have been accumulated from the resources of nature. Intangible wealth consists of the knowledge of how to acquire the resources of nature, and how to produce from them and by them commodities for the service and pleasure of man. It is since the beginning of the present war that the full might and strength of the nations, applied by means of their intangible wealth, have been marshalled in a manner to show just what the world is capable of doing for war. After the war the resourcefulness and economy of the nations will be marshalled in a manner to show what the world is capable of doing for reconstruction.

There is a delusion regarding the loss of wealth during war. There is another delusion regarding its loss after war. Very many people hold that loss goes on long after war has stopped. Broadly speaking, the concrete loss of war (consumption and destruction of property) takes place during the war and ends when war ends. The future products of the field, the factory and mine are left for future consumption, and for the creation of new wealth that will support and contribute to overcome the indebtedness which the war has imposed on the future. It is important to keep clearly in mind the consideration that the losses of war are taking place now, and that drafts are being made on the future insofar as credit is being used. Future products of industry will not be devoted to this war, but to the removal of its burdens.

When the war is ended and peace is fully restored, the world will take an accounting of its wealth. What it will find is this: practically all of its land, forests, mines, water powers and other tangible resources of nature intact. It will have its steam, electricity and other products of discovery and invention which hitherto quickened and increased the production of wealth. These will be intact. War has not destroyed or harmed them, save in the region of actual hostilities.

When the war is ended, the world will find the tools made by human hands to develop natural wealth ready for use, although impaired. Outside the territory where the warfare has been conducted, the railways, factories, warehouses and equipment, evolved for the working of the earth's resources,

will be as they were before the summer of 1914. The whole intricate machinery remains by which natural wealth is first acquired, then converted into the commodities of trade and distributed. In instances the machinery has been improved during the period of the past three years.

In what direction, then, is the economic legacy of the war to be looked for?

In the weight of debt with which the world's wealth will be encumbered. In the loss of those skilled workmen who have been destroyed. In the reduction, by maiming and disease, of the physical working power of those who survive and who formerly operated the machinery by which new wealth was created. In the loss of objects of value, like the vessels which have been torpedoed and the railways, bridges and buildings destroyed.

Debt encumbrance has been imposed upon all the world's people at an appalling rate. Hundreds of thousands of capable producers have been killed; hundreds of thousands of others have been so far incapacitated that their usefulness is ended for all time. Property value of enormous amount has been destroyed. An important percentage of the knowledge and facility by which mankind had command over the resources of nature has been lost, while the organization that had been developed for carrying on the work of the world has been torn apart, not to be put together again for a long time.

Eventually progress will again be possible in the old manner in the arts, sciences, industries and trade, in the command over the resources of nature, and in the organization by which is carried on the work of the world. However, reconstruction must come first.

THE FUTURE

Debt figures suggest for each of the warring nations a heavy future burden. For Great Britain, the national debt to-day equals one-fourth the nation's wealth. The debt of France equals a third of the wealth of France. The debt of Germany equals nearly a third of the wealth of Germany.

These debts are dismayingly large. But after all, like burdens of every other nature, debts are relative; their weight is determined by other things. No matter how much a nation may borrow, or how high its debt may be piled, if wealth increases more rapidly than debt, that nation is more prosperous than before. We have precedent to show how growth of wealth and scientific organization enriched nations that, after war, might quite well have been said to face ruin.

Great Britain prospered after the Napoleonic wars, notwithstanding that its debt was carried to a point equal to more than one-third the whole national wealth. Wealth being augmented afterward, it becomes possible for the nation to meet the interest charge upon its mountain of debt more easily than the charge had been met on the smaller debt, before 1815.

Great Britain's bond interest equalled 11 per cent. of the income of the people in 1815, while the total annual expenditure of the government equalled 20 per cent. of the nation's entire income. At the present time bond interest of Great Britain equals a little more than 7 per cent. of the people's income.

In other years the annual increment of the wealth of the nations now engaged in the war was from 15 to 20 billion dollars. No one dares to venture what the increment will be in years to come. That wealth will increase is expected as a matter of course; people will go on living, work will go on, invention will give new forms of machinery and instruments of production. Scientific organization, and all the improvements in methods and facilities that distinguish the business world of to-day from that of a century ago, will be brought into play, so that as soon as the war is over and the normal pace of industrial progress is resumed, debts will grow less oppressive in

the ratio that the productive power of the countries increases. Abnormal liabilities will be overcome by building up assets rather than by reducing the liabilities. While debts may not for some time lessen actually, they will lessen relatively.

It would seem, from the magnitude of present and prospective indebtedness, that obligations could never be removed. They will be removed, if people are taxed sufficiently for the purpose. Taxes to meet interest on war issues will be superimposed upon those which paid the former national, state and municipal debts, and which paid also the entire current expenses of government—national, state and local. They will be regulated according to three things: the weight of debt, the amount of current government expense, the amount of sinking fund with which debts are to be liquidated. They will come out of the people's income and savings.

The example of present taxation is worth considering in this connection. Directly and indirectly the people of this country will pay \$2,500,000,000 in taxes in the coming year. Directly and indirectly, the people of England are paying \$3,500,000,000 a year in taxes. In each case the amount is double what would be necessary for government support should the war end next year. The present scale of taxation, continued into the future, would provide not only for peace expenditure and the interest on the whole national debt, but also for a sinking fund calculated to redeem the national debt in course of time.

As for actually paying off debts, that is a problem that another generation will have to solve. The outlook for the post-bellum period is one to be viewed in no other spirit than of sober concern and serious study, for upon the result of the war strain will rest the economic progress of the world. The cost of the war thus far has represented a number of times over the usual annual savings of the entire world, and were no other elements to enter into determining the matter, this factor would assuredly have distinct effect upon the world's economic progress and upon the price which capital will hereafter command. But in the same manner as it is to be expected that the concrete losses of the war will end when the war ends, so it is to be expected that in the future there will be offsets against the overwhelming figures of government

debts. Were disarmament to come, that of itself would be of immense help in overcoming war's expense, for the money expended in past years in maintaining armies and navies would be used otherwise and to better economic purpose.

Preceding the Great War, the governments of the world kept armies afoot and equipped fleets in fixed proportions, often in strict retaliation for one another's activities. In 1913, the last twelvemonth of peace, the world's seven greatest powers spent more than two billion dollars in maintaining their armies and navies. Should then the outcome of this war be universal disarmament, there will be a huge sum saved regularly to apply to the payment of interest on national debts, and to provide sinking funds for the retirement of those debts.

In considering the future, there is always to be considered the fact that debts will be borne by the people who are in large measure themselves the creditors against that debt. Which is to say that as money is paid in taxes to meet interest on government bonds, it will be received again in the form of interest on the bonds which the people who paid the taxes themselves possess, through having subscribed for the war loans. A national debt held entirely by the people of a nation is not a drain such as an external loan would be.

This is not for a moment to argue that the war debts being piled up represent other than economic loss. They do represent loss. For if the war had not come, funds invested in government loans would have been put to other use, and productively employed. The investor who now has war bonds would then have had other securities, would have received an income each year, and would not have had to pay taxes to provide that income. The point is, however, that war loans do not weigh against the future as at first they seem to do. Years hence people will be toiling to pay interest on war loans. But the interest will be paid back to the people toiling, and so will not extinguish capital or involve any fresh economic loss. The capital raised by taxation in the future will flow from the people into the public treasury, thence back to the people.

Many observers have in the course of the present war failed to carry this thought to its logical conclusion. It is heard frequently that war debts will bear down civilized people for centuries to come. The same thing was heard in another

generation; in his "History of England," Macaulay wrote thus of the situation which confronted that single nation at the close of the Napoleonic war:

"If the most enlightened man had been told in 1792 that in 1815 the interest on eight hundred million sterling would be paid to the day at the bank, he would have been as hard of belief as if he had been told that the government would be in possession of the lamp of Aladdin, or of the purse of Fortunatus. It was in truth a gigantic, a fabulous debt; and we can hardly wonder that the cry of despair should have been louder than ever. . . . It is sufficient to say that the prophets of evil were under double delusion. They erroneously imagined that there was an exact analogy between the case of an individual who is in debt to another individual and the case of a society which is in debt to a part of itself. . . . They saw that the debt grew and they forgot that other things grew as well as the debt."

It is highly important that the principle of war borrowing should be thoroughly grasped, if one would correctly forecast the future relation between taxation and the people bearing that taxation. Tax payments of the future will be paid by the people then living, and if every taxpayer should hold, of his government's bonds, a portion corresponding to the whole debt exactly as his tax payments correspond to the whole taxes, his income and outgo on account of the debt would balance. What he received in interest on his bonds would cancel that part of his taxes collected for interest purposes, and he would be no worse off than if the debt did not exist.

Of course every nation's debt will not be entirely internal; the loans that have been made to the weaker allies indicate that the taxes of their people will be collected to make interest payments to other people for years to come. That is a problem for the future to take care of. Moreover, every taxpayer of the stronger nations will not hold his government's bonds; and of those who do, not all will hold them in sufficient amount to have their interest fully offset tax payments. If bond interest goes to only a few and not to many, a few will grow very rich and many will grow very poor. A leisure class, a class of non-producers supported by the labor of the poor, may be

seen. That is another problem for the future to take care of, and upon each government will rest the responsibility to so levy taxation that it will not fall with crushing weight upon any portion of the community and at the same time not sustain indefinitely a class of non-producers.

In the last analysis, taxation will amount to enforced saving for the capital fund of the people, and, beyond interest, it will have to be wisely applied to help the recovery from the failure to make normal progress during the war.

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The world is now looking out anxiously to the future, to the days beyond the end of the war. The outlook is not altogether an unhappy one. Some observers, indeed, have an inspired belief that the world is destined to be better; they feel that if the moral, social and spiritual benefits that come out of the present trial offer some reward for the world's immolation, the economic loss will have found a real offset. They feel that if Democracy is to triumph, and that if freemen are to be permitted again to walk abroad in the light of day, the cost will not have been too great.

To some observers, also, the prospect from an economic viewpoint is far from dark. Science has learned much in this war that will be of service later on. War's lessons, curiously, always are one of the offsets of war. Experience has shown that the development in science and the growth of human efficiency, coupled with the marvelous development of the earth's resources, counterbalanced the evil imposed by other wars, and stimulated growth.

In considering those circumstances which will contribute to determine the future welfare of the nations, the wonderful ability of human kind to rise from misfortune must not be forgotten. Heretofore the phenomenon has been of recurring experience that people recovered with amazing rapidity from the devastating effects of war. Witness the people of Europe after 1815; the people of the United States after 1865. Holland, early in the seventeenth century, after its long and exhausting war with Spain, forged rapidly forward as a world power. Germany, in the same century, after the Thirty Years' War

had despoiled its land and laid it waste as few lands ever were laid waste by war, grew strong and went into meteoric ascendancy among the nations of Europe.

Great as this war has been, and destructive and wasteful, may it not develop, as heretofore, that economy, science, invention, education, industrial organization and developments in transportation and banking, applied with stern devotion, will counterbalance its legacy and permit the world to grow as it grew in the past? War in its primitive state was offset by primitive methods. War in its modern state will be offset by modern methods. Whatever this war has done, higher efficiency and organization have proceeded out of it. The people of civilized nations were never before so thoroughly ordered; their energy was never so coordinated in common action.

Instead of disorganizing the world, as other important conflicts have done, this conflict has organized and regimented it. So, then, just as the Great War brought surprises, we believe that peace will have its surprises to astonish the world. A doctrine of hope can be drawn not only from history, but as well from the realm of animate nature. Man, in the conduct of his affairs, is a resourceful creature, capable of supreme and prolonged effort, and, when properly organized, of notable accomplishments. It is in the effect of military organization where we must look for the inspiration of the future. For if tremendous effect can come out of military organization, tremendous effect can also come out of industrial organization.

¶ In presenting such figures and thoughts on the European War as the compass of this volume would permit, the Mechanics & Metals National Bank of the City of New York trusts that it has provided a serviceable reference book for those whose interest in the financial significance of the war is more than cursory.

¶ Tremendous changes have been wrought since 1914, not least among them being the change in the economic position of our own United States, in its relation to the rest of the world. New York is today the only unhampered money market in the world. Banking operations are being conducted on a scale that is larger and wider than ever seen here before.

¶ Keeping pace with the growing demands upon the banking resources of the nation, the Mechanics & Metals National Bank has consistently increased its facilities and broadened its scope of operations, and invites correspondence from all those who require new or additional banking service in domestic and foreign fields.

THE MECHANICS & METALS NATIONAL BANK
OF THE CITY OF NEW YORK

20 NASSAU STREET

Statement of Condition September 11, 1917

RESOURCES

Loans and Discounts.....	\$111,291,549.62
Customers' Liability under Letters of Credit and Acceptances..	6,165,921.14
Bonds, Securities, etc.....	21,471,753.53
Banking House and other Real Estate.....	4,400,000.00
Cash and Due from Banks.....	70,256,046.31
	\$213,585,270.60

LIABILITIES

Capital Stock, paid in.....	\$6,000,000.00
Surplus and Undivided Profits.....	10,471,725.35
National Bank Notes Outstanding.....	3,771,900.00
Letters of Credit and Time Acceptances.....	6,262,782.82
Deposits.....	187,078,862.43
	\$213,585,270.60
